

OTC Clear Clearing Rules

PART I GENERAL PROVISIONS

Chapter 1 Definitions and Interpretation

Definitions

101. In these Clearing Rules, unless the context otherwise requires:

<p><u>“Compression Cash Settlement Payments”</u></p>	<p>means, in respect of a Multilateral Compression Cycle, any cash payments to be made by a Compression Clearing Member to OTC Clear and/or by OTC Clear to a Compression Clearing Member as settlement of the unrealised value of the Eligible Compression Contracts that are proposed to be terminated, amended and/or replaced as set out in the Unwind Proposal relating to that Multilateral Compression Cycle, where such Unwind Proposal has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle and has been implemented by OTC Clear;</p>
<p><u>“Compression Clearing Member”</u></p>	<p>means, in relation to a Multilateral Compression Cycle, a Clearing Member who has adhered to the relevant Compression Documentation with the relevant Compression Service Provider and has notified the relevant Compression Service Provider within the period specified in the relevant Compression Documentation that it wishes to participate in that Multilateral Compression Cycle;</p>
<p><u>“Compression Documentation”</u></p>	<p>means the agreements and documents as may be required by the relevant Compression Service Provider and/or OTC Clear in order to allow a Clearing Member to receive the services of the relevant Compression Service Provider and participate in a Multilateral Compression Cycle, and such other documentation relating to any Compression Service Provider which OTC Clear may prescribe from time to time, including but not limited to the triReduce® OTC Clear Compression Protocol;</p>
<p><u>“Compression Execution Date”</u></p>	<p>means, in respect of a Multilateral Compression Cycle, the date designated by OTC Clear and notified to Clearing Members via a Clearing Notice on which OTC Clear is scheduled to implement the Unwind Proposal relating to that Multilateral Compression Cycle;</p>
<p><u>“Compression Service Provider”</u></p>	<p>means such service providers as approved by OTC Clear from time to time and notified to Clearing Members, including but not limited to <u>TriOptima AB</u>;</p>
<p><u>“Compression Time”</u></p>	<p>means, in respect of a Multilateral Compression Cycle, the time on the Compression Execution Date set out in the Compression Documentation at which OTC Clear implements the Unwind Proposal relating to that Multilateral Compression Cycle, by terminating Eligible Compression Contracts, amending the terms thereof and/or simultaneously registering new Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle;</p>

<p><u>“Eligible Compression Contracts”</u></p>	<p><u>means, in respect of a Multilateral Compression Cycle, Contracts registered to a Compression Clearing Member’s House Position Account which are Standard Rates Derivatives Contracts, Non Deliverable Rates Derivatives Contracts and Standard Cross-currency Rates Derivatives Contracts and which will not have matured on or before the scheduled Compression Execution Date of that Multilateral Compression Cycle;</u></p>
<p><u>“Multilateral Compression Cycle”</u></p>	<p><u>means a multilateral compression cycle established by OTC Clear and facilitated by a Compression Service Provider nominated by OTC Clear, which shall be open to participation by Clearing Members in respect of their House Business only, in accordance with the provisions of the Clearing Rules and relevant Compression Documentation;</u></p>
<p><u>“Multilateral Compression Fees”</u></p>	<p><u>means, in respect of a Multilateral Compression Cycle, the fees payable by a Compression Clearing Member in respect of each Unwind Proposal that has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle, as set out in Appendix I to the Clearing Procedures;</u></p>
<p><u>“triReduce® OTC Clear Compression Protocol”</u></p>	<p><u>means a protocol on compression of cleared trades to be established between TriOptima AB, OTC Clear, and the relevant Clearing Members;</u></p>
<p><u>“Unwind Proposal”</u></p>	<p><u>means, in relation to a Multilateral Compression Cycle, a proposal produced by a Compression Service Provider which may comprise a combination of termination of Eligible Compression Contracts, amendment to the terms thereof and/or replacement with new Contracts, as the case may be;</u></p>

Chapter 2 General Provisions

Disclosure of Information

212. All information provided to or in the possession of OTC Clear regarding past or current positions carried by OTC Clear for a Clearing Member, Margin payments between OTC Clear and a Clearing Member or deliveries made by or to a Clearing Member and any financial statements submitted to OTC Clear by any Clearing Member shall be kept confidential by OTC Clear in accordance with such procedures or policies as OTC Clear may from time to time determine. Notwithstanding the foregoing, OTC Clear may disclose any information described in the immediately preceding sentence, any information received from a Clearing Member and any other information in connection with a Clearing Member at any time:

- (1) with the written consent of the Clearing Member involved;
- (2) to HKEX and any of its Affiliates and any Representatives, committees, auditors or advisers of HKEX or any Affiliate of OTC Clear which is a recognized exchange company or a recognized clearing house under the SFO;
- (3) pursuant to any requirement or request of any Governmental Authority, including, but not limited to, the SFC, HKMA and the Inland Revenue Department of the Hong Kong government; or to any Person required by or in accordance with the Tax Information Exchange Framework;

- (4) pursuant to any order of a court of competent jurisdiction;
- (5) as expressly permitted by the Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default and the implementation by OTC Clear and Clearing Members of settlement of any Contract provided that where OTC Clear discloses any information to any Clearing Member in such circumstances, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person or use the information for any purpose other than that for which it has been disclosed by OTC Clear;
- (6) to any insurer, insurance broker or banker in connection with any arrangement in support of the Rates and FX Guarantee Resources;
- (7) to any professional advisers, auditors or consultants of OTC Clear;
- (8) as required by any Applicable Law;
- (9) to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or HKEX has entered into an information sharing arrangement or reporting service agreement or pursuant to the Tax Information Exchange Framework, such trade repository or Governmental Authority may use, handle, store, transfer and disclose such information in accordance with the terms of any such information sharing arrangement, reporting service agreement or pursuant to the Tax Information Exchange Framework;
- (10) to any service provider or third party contractor whom OTC Clear has engaged to provide data processing or other similar services for OTC Clear, provided that any such persons shall be bound by confidentiality obligation or undertaking;
- (11) to any Person if the information comes into the public domain, other than as a result of a breach of this Clearing Rule 212 by OTC Clear or any of its Representatives; ~~or~~
- (12) to any Client or Designated Person to which the information relates; ~~or~~;
- (13) insofar as a Clearing Member is a Compression Clearing Member in relation to a particular Multilateral Compression Cycle, such information as the relevant Compression Service Provider requires that OTC Clear provide to it for the purposes of preparing the Unwind Proposal relating to that Multilateral Compression Cycle,

provided that, in any such case other than under sub-paragraphs (1), (3), (4), (5), (9) and (11) above, the confidentiality of the information is made known to the recipient (it being understood that, if more than one sub-paragraph of this sentence applies to a particular disclosure and that include any of sub-paragraph (1), (3), (4), (5), (9) or (11) above, then the confidentiality of the information need not be made known to the recipient).

Each Clearing Member agrees that OTC Clear has the power to publish aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of Clearing Members or Clients cannot reasonably be determined from the data, statistics or other materials so published.

PART III CLEARING OPERATIONS

Chapter 8 Clearing by OTC Clear

822. A Clearing Member shall inform each of its Client(s) that:

- (1) should such Client wish to effect porting upon the occurrence of a DMP Event with respect to the Clearing Member, complete Porting Instructions shall be delivered to OTC Clear as soon as reasonably practicable at or after commencement of clearing operations in relation to the Client Account(s) relating to such Client and a Replacement Clearing Member must be appointed prior to the occurrence of a DMP Event with respect to the original Clearing Member;
- (2) subsequent to the submission of Porting Instructions and prior to the occurrence of a DMP Event with respect to the original Clearing Member, a Client who wishes to appoint a different Replacement Clearing Member may deliver, or procure the delivery of, new Porting Instructions appointing another Replacement Clearing Member. The latest Porting Instructions received by OTC Clear in respect of the Client Accounts relating to a Client will be deemed to have superseded and replaced previous Porting Instructions relating to such Client; and
- (3) all Porting Instructions must be received by OTC Clear by 5:00pm (Hong Kong time) on the OTC Clear Clearing Day immediately following the occurrence of a DMP Event with respect to the original Clearing Member.

Multilateral Compression

838. Clearing Members who have adhered to relevant Compression Documentation with a Compression Service Provider may participate in a Multilateral Compression Cycle in respect of all Eligible Compression Contracts registered to their House Position Account.

839. Contracts registered to a Clearing Member's Client Position Account are not eligible for compression.

840. In respect of each Multilateral Compression Cycle, OTC Clear will effect the compression or decompression of Eligible Compression Contracts by terminating certain offsetting or redundant Contracts, amending the terms of certain Contracts by increasing the notional amount or converting the reference rate and/or registering one or more new Contracts, all in accordance with the Unwind Proposal generated in respect of that Multilateral Compression Cycle. Any new Contract created pursuant to a Multilateral Compression Cycle is entered into by OTC Clear for the purpose of clearing and settlement of the relevant Compression Clearing Member's House Business. Any Contract, as created, amended or terminated pursuant to a Multilateral Compression Cycle, shall be a "market contract" as defined in, and for the purposes of, the SFO, as described in Clearing Rule 811(1).

841. When OTC Clear intends to run a Multilateral Compression Cycle, it shall nominate a Compression Service Provider to facilitate such Multilateral Compression Cycle. OTC Clear and the relevant Compression Service Provider shall then notify Clearing Members meeting the criteria set out in Clearing Rule 838 above of the Transaction Category(ies) of Eligible Compression Contracts forming part of that Multilateral Compression Cycle and implement the processes set out in the relevant Compression Documentation. For the avoidance of doubt, OTC Clear may, at its sole and absolute discretion, exclude Eligible Compression Contracts in any number of Transaction Category(ies) from a Multilateral Compression Cycle.

842. In any Multilateral Compression Cycle, compression shall only take place in accordance with the terms of an Unwind Proposal which has been accepted by all participating Compression Clearing Members.

843. Each participating Compression Clearing Member agrees and acknowledges that the Compression Service Provider's confirmation to OTC Clear that such Compression Clearing Member has confirmed its acceptance of the Unwind Proposal to the Compression Service Provider, shall constitute a binding acceptance of the Unwind Proposal by such Compression Clearing Member to OTC Clear. Upon a Compression Clearing Member's acceptance of an Unwind Proposal in the manner set out in the relevant Compression Documentation, such Compression Clearing Member shall be irrevocably bound to the terms of that Unwind Proposal and shall be obligated to settle in full by the time set out in the relevant Compression Documentation, such Compression Clearing Member's increased Initial Margin requirements (if applicable), the Compression Cash Settlement Payment due to OTC Clear. The amount of Multilateral Compression Fees payable to OTC Clear shall be payable as part of the fees and interest settlement component published in a settlement report from time to time as described in the Clearing Procedures.
844. Save where the Clearing Procedures require otherwise, Compression Cash Settlement Payments due to OTC Clear must be satisfied by payment in cash in the relevant Contractual Currency(ies) specified in the relevant Unwind Proposal.
845. OTC Clear may, at its sole and absolute discretion, at any time prior to the Compression Time, agree to proceed (or decline to proceed) with the implementation of the accepted Unwind Proposal. For the avoidance of doubt, the irrevocable acceptance of an Unwind Proposal by participating Compression Clearing Members shall not bind or require OTC Clear to implement such Unwind Proposal.
846. Save for the Compression Cash Settlement Payments which shall be due to or payable by OTC Clear as settlement of the unrealised value of the Eligible Compression Contracts that are proposed to be amended, terminated and/or replaced under each accepted Unwind Proposal, OTC Clear shall have no involvement in and accepts no responsibility or liability in relation to any Multilateral Compression-related balancing, termination or ancillary payments or fees that participating Compression Clearing Members may agree between themselves in accordance with the relevant Compression Documentation or otherwise. In the event OTC Clear agrees to participate in the processing of ancillary payments or fees pursuant to the relevant Compression Documentation, OTC Clear accepts no liability to any Compression Clearing Member or third party in connection with or related to the processing of such ancillary payments or fees.
847. Without prejudice to any other provisions of these Clearing Rules, or any Compression Documentation, OTC Clear and its Affiliates shall not have any liability whatsoever to any Compression Clearing Member or to any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damages, losses, costs or expenses of whatsoever nature suffered or incurred by a Compression Clearing Member or any other person, as the case may be:
- (1) as a result of any action OTC Clear takes under the Clearing Rules or the relevant Compression Documentation, whether in accordance with an Unwind Proposal, in reliance on information provided by Compression Clearing Members or any Compression Service Provider or otherwise;
 - (2) in relation to a Multilateral Compression Cycle, as a result of any action or omission of a Compression Service Provider, including, without limitation, any error or omission in the terms of any Unwind Proposal; or
 - (3) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating Compression Clearing Member, including, without limitation, any error or omission in the terms of any Unwind Proposal.

848. A Compression Clearing Member who has accepted an Unwind Proposal but who subsequently is unable to make the representations and warranties set out in the relevant Compression Documentation or fails to meet his obligations by the time specified for such processes as set out in the relevant Compression Documentation, including, without limitation, payment obligations, may be precluded from participating in future Multilateral Compression Cycles by OTC Clear, at its sole and absolute discretion.

PART IV RISK MANAGEMENT AND DEFAULT PROCEDURES

Chapter 12 Margin

Initial Margin, Additional Margin, Variation Margin, and Intra-day Variation Margin

1204. Each Clearing Member shall deliver sufficient Collateral as Margin as a precondition for (i) the registration of an Original Transaction by OTC Clear and (ii) the implementation of an Unwind Proposal by OTC Clear.
1205. OTC Clear shall calculate and, where appropriate, demand Initial Margin on each OTC Clear Clearing Day and Compression Execution Date, as applicable. In addition, OTC Clear may, from time to time, in its absolute discretion and on any OTC Clear Clearing Day and Compression Execution Date, make an intra-day call for Initial Margin.